SOL Global Announces Results for the Three and Nine-Month Period Ended December 31, 2018

written by Raj Shah | March 1, 2019

March 1, 2019 (Source) – SOL Global Investments Corp. ("**SOL Global**" or the "**Company**") (CSE: SOL) (OTCQB: SOLCF) (Frankfurt: 9SB) is pleased to release its financial results for the three and nine months ended December 31, 2018, and provide a general corporate update, including a management-prepared internal net asset value calculation. The Company's unaudited condensed interim consolidated financial statements and Management's Discussion and Analysis (the "**MD&A**") for the three and nine months ended December 31, 2018 are also provided herein. All financial information in this press release is reported in Canadian dollars, unless otherwise indicated.

A Note to Shareholders, from CEO Brady Cobb:

"Sunday, March 3 will mark four months since I was appointed as CEO of SOL Global. Over the last four months, we have evolved into a first-class global cannabis investment company. We've gone through a lot; a name change, a highly successful and ground-breaking sale of our Latin American assets, and continued investments in leading cannabis companies around the world. Over the past year, I had the privilege of providing input and working with lawmakers in Congress on the U.S. federal Farm Bill, which legalized hemp production in the United States. The past year has not been without challenges; however, I have remained as passionate as ever in building SOL Global into a company that will represent the future of the industry. As a company dedicated to creating shareholder value and helping to build the foundations of the international cannabis industry, my executive team and I are pleased to share the following highlights of the last quarter." – Brady Cobb, CEO

Financial Highlights

Net Asset Value

Below are internal unaudited management calculations of SOL's net asset value based on the investments that the Company has made and the cash and liabilities of the Company. Investments made in private companies are presented at the amount that SOL paid for these investments.

The table below is expressed in millions of dollars, and in Canadian Dollars.

As at	28-Feb -19	31-Mar-18
Net working capital	$47.6	$28.9
Total private company investments, at cost	$210.0	-
Estimated tax liability	$(19.7)	-
Net assets	$237.9	$28.9
Shares outstanding	54.3	28.5
Net assets per share	$4.38	$1.01

Notes:

- *Net working capital noted above consists of cash, cash equivalents, prepayments, other receivables and investments in public companies less accounts payable and accrued liabilities.*
- *Estimated tax liability is as per SOL's December 31, 2018 unaudited interim financial statements.*
- *Shares outstanding as of February 28, 2019 represents current issued and outstanding of 47,009,520 plus shares*

due to CannCure shareholders of 7,317,500 for a total of 54.3 million.

- *Based on a closing share price of $3.15 share on February 28, 2019, the Company’s net asset value is 1.39 times greater than its share price.*
- *SOL’s private company investments are presented at SOL’s cost base, and therefore, at book value.*

Normal Course Issuer Bid Results

SOL Global repurchased 2,451,861 ordinary shares of the Company’s stock for cancellation, reducing the total current issued and outstanding shares to 47,009,520. The average price of the re-purchased shares was $2.00 per share, which compares favorably to the Company’s February 28, 2018 closing stock price of $3.15 per share.

***Selected Financial Highlights for the three and nine-months ending December 31, 2018**

Expressed in Canadian dollars and in millions

As at	31-Dec-18	31-Mar-18
Cash	29.9	0.8
Total assets	221.1	35.1
Total liabilities	28.8	6.2
Total shareholders' equity	192.3	28.9
Working capital (excludes deferred share units liability)	58.6	33.3

Three-months ended	31-Dec-18	31-Dec-17
Revenues	(47.2)	0.0
Expenses	12.7	4.2
Loss before tax provision	(59.9)	(4.2)
Loss per share, basic	(1.22)	(0.21)
Loss per share, diluted	(1.18)	(0.21)

Nine-months ended	31-Dec-18	31-Dec-17
Revenues	138.6	0.0
Expenses	22.0	17.8
Net income (loss) before tax provision	116.6	(17.8)
Income (loss) per share, basic	2.57	(1.07)
Income per share, diluted	2.45	(1.07)

The Company’s balance sheet is healthy, with working capital of $58.6 million plus a portfolio of non-current investments in private companies.

The Company’s loss for the three-month period occurred primarily due to the depreciation of the Aphria shares that the Company held and disposed of between the closing date of the LATAM sale transaction on September 27, 2018 ($19.00per share) and December 31, 2018 ($7.85 per share) plus higher expenses revolving around transaction fees relating to closed and open deals.

The Company’s gain for the nine-month period ended December 31, 2018 was primarily due to the sale of the Company’s subsidiary, LATAM, in exchange for Aphria shares. A total of 15,678,310 shares were received in Aphria, with a price of $19.00 per share. The $19.00 per share price represented the share price of Aphria on September 26, 2018, the day before the transaction finalized.

Investment and Divestment Highlights

Partial Sale of Aphria Shares Results

- SOL's total cost of LATAM assets was $93.3 million. That amount includes $83.9 million of direct costs to acquire the LATAM business and its subsidiaries including funding amounts and the fair value of the Company's 18,855,630 common shares paid a consideration to acquire LATAM and its subsidiaries totaling $66.5 million. The amount also includes transaction costs totaling $11.3 million.
- SOL received 15,678,310 shares of Aphria at a price of $12.31, as announced on September 28, 2018.
- As of December 31, 2018, SOL sold 14,008,310 shares at an average sale price of $15.63.
- SOL realized total proceeds to date of $219 million on the Aphria share sales.
- SOL's total gain to date on the share of the Aphria sales is $46.5 million.

U.S. Investments

CannCure: On October 23, 2018, the Company announced the entering into of a binding share purchase agreement to acquire the issued and outstanding common shares of CannCure Investments Inc ("CannCure"). At the time of signing, CannCure owned a 60% interest in 3 Boys Farms LLC ("3Boys") and held an indirect contractual right and obligation to purchase the remaining 40% of 3Boys. The CannCure purchase price will be satisfied by a combination of $29,270,000in the Company's common shares at a deemed price of $4.00 per share to be issued to the CannCure selling parties; $67,613,200 (USD$52,100,000) in Verano Holdings LLC (“Verano”) Class B units (the “CannCure Verano Shares”) held by the Company which will be transferred the CannCure selling parties; and $24,916,900 (USD$19,200,000) in cash, which would be applied against the acquisition costs for the remaining 40% of 3Boys. In December 2018, CannCure acquired the remaining 40% interest in 3Boys. The completion of the acquisition of CannCure by the Company is subject to certain closing conditions, including receipt of all required governmental approvals, including from the Florida Department of Health, Office of Medical Marijuana Use.

Verano: On October 23, 2018, the Company announced an investment of $115,259,000 (USD$88,000,000) indirectly in Verano Class B units and announced the entering into of a membership interest contribution agreement in which it would transfer and sell 3Boys to Verano in share exchange for $130,976,000 (USD$100,000,000) in additional Verano Class B units. As a result of these transactions, after distributing the CannCure Verano Shares, the Company will own $177,996,000 (USD$135,900,000) Class B units in Verano. The completion of the sale of 3Boys to Verano is subject to certain closing conditions, including the completion of the acquisition of CannCure and receipt of all required governmental approvals, including from the Florida Department of Health, Office of Medical Marijuana Use. Verano is well positioned to achieve outsized market share across every market it enters by leveraging proven methods and strategies which have made the Company a dominant player in Illinois, Maryland and Nevada. Verano’s brands cover the complete spectrum of superior cannabis product options for medical and adult-use consumers.

OG DNA Genetics Inc: On December 12, 2018, SOL Global announced an investment in OG DNA Genetics Inc (“DNA Genetics”). The

Company acquired an approximate 8 percent stake for $13.3 million (USD $10 million). DNA Genetics is recognized worldwide for its highly selective, genetics-based approach to cannabis cultivation. DNA Genetics is established in the U.S. cannabis marketplace, cooperating two million square feet of medical canopy in California, where they began developing high-quality cannabis seeds for the global market. DNA Genetics is also the exclusive provider of DNA certified products to a wholly-owned Ontario-based subsidiary which is of one of the world's largest diversified cannabis and hemp companies.

US Regulatory Environment

In the United States, marijuana is largely regulated at the state level. To the Company's knowledge, there are to date a total of 38 states, plus the District of Columbia, Puerto Rico and Guam that have legalized marijuana in some form, either for a medicinal use and/or for adult/recreational use. The United States has a complex regulatory landscape when it comes to medical marijuana. The CSA regulates the possession, importation, manufacture, distribution and dispensing of controlled substances under United States federal law. Under the CSA, controlled substances are classified into schedules based on their potential for abuse by a patient or other user. Marijuana is and always has been classified as a Schedule 1 substance under the CSA.

On January 4, 2018, Attorney General Jeff Sessions issued a memorandum that rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to marijuana enforcement on the basis that they are unnecessary known as the Cole Memorandum, given the well-established principles governing federal prosecution that are already in place. Those principals are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the Department of Justice up and through the 2018 appropriations deadline of December 31, 2018, and this legislation remains in force as of the date of this update. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law.

Additionally, the 2018 Farm Bill passed out of both chambers of Congress and was signed into law by President Trump on December 20, 2018, and said bill includes the Hemp Farming Act. The Hemp Farming Act removes hemp and CBD products with less than .3% THC from Schedule 1 of the CSA. This will allow market participants such as the Company to cultivate, process and dispense hemp and CBD products (with less than .3% THC) throughout the United States without violating the CSA, and will also serve to open up banking and financial services for such hemp and CBD operators. Presently, the United States Food and Drug Administration has indicated that it will initiate public commentary workshops and rulemaking proceedings relative to the issuance of regulations to govern the nascent CBD marketplace and products, and such proceedings are anticipated to commence in April of 2019. The Company will be an active participant in these proceedings. Additionally, the STATES Act was filed in 2018 by Senator Cory

Gardiner (R-CO) and Elizabeth Warren (D-MA), and the STATES Act if passed will remove medical or adult use marijuana related conduct from Schedule 1 of the CSA in states where such uses/activities have been made legal by state law, so long as such operations are compliant with state law. The STATES Act is set to be heard in Congress in 2019, and the SAFE Banking Act (which would provide a safe harbor to banks who wish to serve the cannabis marketplace) was heard by the House Financial Services Committee in February of 2019 and is also expected to advance in Congress in 2019.

On November 7, 2018 Mr. Sessions resigned from his position. As of the date of this report, William Barr has been appointed and confirmed as the United States Attorney and his position on state legal cannabis marketplaces and their interplay/compliance with the CSA has not been promulgated.

European Investments

GreenLight Pharmaceuticals: On January 2, 2019, SOL Global announced an investment in GreenLight Pharmaceuticals Ltd. ("GreenLight"). GreenLight, headquartered in Dublin, Ireland, is a vertically integrated medical cannabis company with a clinical research and development operation, a seed genetics program, cultivation operations, and brand and distribution operations. SOL Global acquired a 25 percent stake in the equity of GreenLight for €1.8 million, with an option to increase its stake to 51 percent. In addition, SOL Global has an option to acquire a 75 percent stake for approximately €1 million in a future GreenLight subsidiary that successfully obtains a cannabis cultivation license in Ireland or Northern Ireland.

"SOL Global structured and deployed approximately $130 million of capital during the quarter in conventional and unconventional cannabis and cannabis-related companies. SOL Global's deal flow continues to rise at meteoric rates as we set the benchmark as a pre-eminent small and mid-cap private equity investment firm and leader in the cannabis industry," said Peter Liabotis, CFO at SOL Global. "Our team continues to see strategic shifts and developments not only in our core portfolio investments, but in non-affiliated sectors that create integration opportunities not yet ventured into by competing investment firms, enabling much higher yields at a much faster pace. As U.S. and European regulatory transformation continues at such a rapid pace, SOL sits in pole position for a larger amount of global cannabis investments, with the ability to provide non-traditional structures if required to maintain our lead."

About SOL Global Investments Corp.

SOL Global is an international investment company with a focus on, but not limited to, cannabis and cannabis related companies in legal U.S. states, the hemp and CBD marketplaces and the emerging European cannabis and hemp marketplaces. Its strategic investments and partnerships across cultivation, distribution and retail complement the company's R&D program with the University of Miami. It is this comprehensive approach that is positioning SOL Global as a future frontrunner in the United States' medical cannabis industry.

Cautionary Statements

This press release contains "forward-looking information" within the meaning of applicable securities laws. All statements contained herein that are not clearly historical in nature may constitute forward-looking information. In some cases, forward-looking information can be identified by words or phrases such as "may", "will", "expect", "likely", "should", "would", "plan", "anticipate", "intend", "potential", "proposed", "estimate", "believe" or the negative of these *terms, or other similar words, expressions and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Some of the forward-looking information contained in this press release include, but are not limited to, statements with respect to: the Company's estimated net asset value, the Company's strategy and future business plans; future expectations regarding the value of the European cannabis market; the completion of the Company's proposed transactions with CannCure and Verano; the anticipated value of the Company's investment in Verano, and the Company's plans to participate in the development of US CBD regulations.*

Forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances. While we consider these assumptions to be reasonable based on information currently available to management, there is no assurance that such expectations will prove to be correct.

By their nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, including known and unknown risks, many of which are beyond our control, could cause actual results to differ materially from the forward-looking information in this press release. Such factors include, but are not limited to: the Company's ability to comply with all applicable governmental regulations in a highly regulated *business; investing in target companies or projects which have limited or no operating history and are engaged in activities currently considered illegal under US federal laws; changes in laws; limited operating history; reliance on management; requirements for additional financing; competition; inconsistent public opinion and perception regarding the medical-use and adult-use marijuana industry; and regulatory or political change. Additional risk factors can also be found in the Company's current MD&A and annual information form, both of which have been filed on SEDAR and can be accessed at* www.sedar.com*.*

Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information. The forward-looking information contained herein is made as of the date of this press release and is based on the beliefs, estimates, expectations and opinions of management on the date such forward-looking information is made. The Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking information, except as required by applicable law.

The securities referred to in this news release have not been and will not be registered under the United States Securities Act of 1933, as amended ("U.S. Securities Act"), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons absent such registration or an applicable exemption from the registration requirements of the U.S. Securities Act. This news release does not constitute an offer for sale of securities for sale, nor a solicitation for offers to buy any securities.

NON-IFRS FINANCIAL MEASURES

This press release includes references to net asset value and net asset value per share, which are financial measures that do not have a standardized meaning prescribed by IFRS. Net asset value is calculated as the value of total assets less the value of total liabilities at a specific date; net asset value per share is the value of the total assets less the value of total liabilities divided by the total number of common shares outstanding as at a specific date. The Company believes these non-IFRS financial measures not only provide management with comparable financial data for internal financial analysis but also provide meaningful supplemental information to investors. In particular, management believes these financial measures can provide information useful to its shareholders in understanding the performance of the Company and may assist in the evaluation of its business relative to that of its peers. Investors are cautioned that these non-IFRS measures should not be construed as an alternative to the measurements calculated in accordance with IFRS as, given their non-standardized meaning, they may not be comparable to similar measures presented by other issuers.